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C O N F I D E N T I A L ANKARA 003055

SIPDIS

STATE FOR E, EB, EUR/SE, NEA/NGA  
NSC FOR QUANRUD AND BRYZA

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TAGS: [PREL](#) [ETTC](#) [TU](#) [IZ](#)

SUBJECT: MFA DEMARCHE ON OFF CONTRACTS

REF: A. ANKARA 2813

[1](#)B. STATE 122029

Classified by Acting EconCouns Bob Silverman, Reason 1.5 (b,d)

[1](#)1. (C) Head of Department for Middle East Bilateral Economic Affairs Akif Ayhan called in econoff together with the British DCM May 8 to deliver the following demarche regarding Turkey's pending Oil for Food (OFF) contracts. Ayhan said he had delivered the same demarche earlier to the Russian, Chinese, French, and Germans (because Germany chairs the 661 Committee) together, noting that the demarche was tailored to what the GOT considered to be "like-minded" countries on this issue. Ayhan said Turkey's UN mission would deliver the same points in New York in the coming days.

[1](#)2. (SBU) Following is the text of the non-paper give to econoff:

--We witness an emerging understanding in the Security Council for a review of Iraq's sanctions regime.

--If sanctions are suspended, phased out or removed, this will impact on the commercial interests and commitments emanating from the implementation of the UN Oil for Food (OFF) Programme.

--Turkey expects that the rights of the Turkish companies will be effectively preserved in this process.

--Many companies belonging to various countries have several contracts in the "pipe-line" under the OFF Programme. An arrangement is needed in the UN to make such contracts operative.

--We deem it crucial to take into account the following points during the consideration of the OFF Programme at the UN Security Council:

-All pending contracts without any exception already signed, financed, approved or being processed within the framework of the OFF Programme must be kept under the UN guarantee and gradually executed. This would be assured by a new UNSC Resolution. In particular, any nullification as regards the execution of those contracts with Letters of Credit will adversely affect the companies concerned.

-The current practice on priority contracts and goods under the UN Resolution no 1472 should be carried out in an evenhanded manner. In this respect, Iraq Programme Office (OIP) and other UN agencies should make sure that the priority criteria are applied objectively. (The Turkish companies' OIP-approved contracts containing priority items amount to 700 million US dollars of which only 73 million US dollar worth portion is listed on the UN priority contracts.)

-Deliveries to Iraqi private sector companies and to international organizations should be subject to UN authorization any more. Such a modification presents urgency.

Apart from the foregoing, war reparation claims of several companies for the losses incurred due to the Iraqi military conflict have to be addressed.

[1](#)3. (C) Comment: Ayhan also said the GOT was interested in the latest draft text on the lifting of sanctions. Ref b arrived after this meeting. We will meet with Ayhan early next week to deliver ref b points.

